Commonwealth of Virginia
Appalachian Regional Commission

20
06
Annual Strategy
Statement

DHCD

Department of Housing and
Community Development

The Jackson Center • 501 North Second Street • Richmond, VA 23219

Commonwealth of Virginia
Appalachian Regional Commission Program

2006
ANNUAL STRATEGY STATEMENT

Prepared by

Department of Housing and Community Development

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INTRODUCTION AND BACKGROUND

Introduction

In accordance with Section 5.3 of the Appalachian Regional Commission (ARC) Code, this document will serve as the State of Virginia's Appalachian Regional Commission Annual Strategy Statement. The purpose of the Strategy Statement is to establish a process to set forth goals, objectives, priorities, and policies for Virginia's ARC Region; identify broad statewide issues and needs that the Governor has chosen to address with ARC resources; and prioritize development projects and programs focusing on these key issue areas in the six Local Development Districts (LDD). The implementation of the Strategy will continue to meet the diverse and changing needs of Virginia's Appalachian Region by targeting and focusing the resources and strategies that mirror ARC's defined goals and objectives, as well as the Governor's goals and objectives defined in the State of Virginia Strategic Plan. More specifically, the Annual Strategy will:

1. Provide a brief description of Virginia's Appalachian development planning process, including the roles of the LDDs and citizens;

2. Give a general profile of Appalachian Virginia, including the Region's identification and description of distressed, transitional, competitive and attainment counties and socio-economic profile;

3. Set forth the Governor's goals, objectives, and priorities for the region and identify the needs on which such goals, objectives and priorities are based;

3. Reflect the Commission's Strategic Plan goals and objectives, ("Moving Appalachia Forward, ARC Strategic Plan 2005-2010") and its guiding principles, and describe the inter-relationship between economic development in the Appalachian portion of the state and the Appalachian Development Highway System corridors located in the state;

4. Set forth the state operating program policies; and

5. Describe the methods used to review proposals of project applicants to ensure an equitable allocation of state contributions for projects to its Appalachian area, and explain the derivation, rationale, and application of such methods.

In accordance with Section 5.4 of the ARC Code, following the state selection process of the FY 2006 program projects and subsequent recommendations to the Commission, the state ARC office will amend the Annual Strategy Statement to include the State's funded projects. This will be completed prior to May 31, 2006.

Background

The Virginian Appalachian Region encompasses twenty-three (23) counties

and seven (7) independent cities (following reversion of the City of Clifton Forge to a Town within Alleghany County). This Region is an area of beauty and natural appeal with mountains of hardwood and coal, fertile valleys, plateaus and ridges for agricultural production. There is no shortage of statistics that show the Region is relatively distressed compared to the rest of Virginia: lower levels of educational attainment, higher unemployment rates, lower median family and household incomes, and shortage of four-lane highways that connect to Regional Highway Corridors are just some of the indicators. Therefore the State utilizes the ARC program objectives to help address the economic deficiencies that have existed in the region since the decline of the coal mining industry.

Governor Mark Warner has appointed William C. Shelton as the Director of the Virginia State Department of Housing and Community Development (DHCD), the agency responsible for ARC program administration. Mr. Shelton will serve as the Governor's Alternate to ARC. Mr. Todd Christensen and Ms. Denise Ambrose will serve as ARC Program Managers and be responsible for the program's administration and project implementation. This organizational structure is the most efficient and effective structuring of ARC program administration for Virginia.

DHCD is a leader in the state for the development and implementation of strategies that improve the quality of life in Virginia communities through local and regional planning, community and economic development programs, the availability of affordable housing, and building local leadership capabilities.

DHCD is also the administrator of the Small Cities Community Development Block Grant Program, which enables the agency to be in a unique position to coordinate these programs, as well as maintain the working relationships with other funding sources such as Rural Development, Virginia Department of Health (VDH), Economic Development Administration (EDA), the Virginia Tobacco Indemnification Commission (VTIC) and Virginia Resources Authority (VRA). Additionally, DHCD is located in the State Secretariat of Commerce and Trade and maintains a close working relationship with the Virginia Economic Development Partnership and the State Department of Business Assistance.

There are six Planning District Commissions (PDCs) which serve Virginia's thirty (30) Appalachian cities and counties. Local participation in the Virginia ARC program is provided directly through these PDCs, which have been designated as Local Development Districts (LDDs) for executing planning and economic development functions for the Appalachian communities. The LDDs serve as a focal point for citizen participation in the ARC program. DHCD and the LDDs interface frequently to develop investment strategies and projects in the ARC program.

Virginia's ARC Region

Counties

Alleghany County
Bath County ♦
Bland County
Botetourt County ●
Buchanan County
Carroll County
Craig County
Dickenson County *
Floyd County
Giles County
Grayson County
Highland County
Lee County
Montgomery County
Pulaski County
Rockbridge County
Russell County
Scott County
Smyth County
Tazewell County
Washington County
Wise County
Wythe County

Cities

City of Bristol
City of Buena Vista
City of Covington
City of Galax
City of Lexington
City of Norton
City of Radford

        * Distressed County
        ♦ Competitive County
        ● Attainment County

THE VIRGINIA ARC REGION DEVELOPMENT PLANNING PROCESS

An input meeting specifically for the PDCs (LDDs) was also held on the afternoon of June 9, 2005 to solicit their important feedback on the previous year's Program and to obtain suggestions for the year 2006. The State ARC Program staff consults with the six LDDs throughout the year regarding project development and implementation.

A Public Input Session was conducted on June 10, 2004 in Abingdon, Virginia to solicit comments on Virginia's FY 2006 Annual Strategy Statement and Program Policies. Participants representing LDDs, educational institutions, nonprofit organizations, economic development organizations, public service authorities, and local governments attended. Attendees were asked to give input regarding updating the program. Comments were received on the State's ARC Program policies, priorities, implementation, and project evaluation. The input of those in attendance was useful in preparation of Virginia's FY 2005 ARC Objectives and Strategies.

In addition to these input sessions, the State ARC Program staff will conduct How-to-Apply Workshops to educate interested parties on ARC funding offerings, including Area Development / Distressed Communities and ARC Asset-Based and Telecommunications Initiatives funding.

From time to time Virginia will, in conjunction with its partners in the region, embark on initiatives designed with specific regional foci and outcomes. This is the case with The Crooked Road: Virginia's Heritage Music Trail effort and with the Southwest Virginia Artisans Network. In such cases, Virginia may convene meetings and committees, in conjunction with appropriate LDDs, citizens, sparkplugs, and other appropriate participants to help determine a level of participation and investment through Virginia ARC resources.

Virginia's Local Development Planning Districts

LENOWISCO Planning District Commission
P.O. Box 366, Duffield, Virginia 24244
Ronald C. Flanary, Executive Director

Cumberland Plateau Planning District Commission
P.O. Box 548, Lebanon, Virginia 24266
Andrew Chafin, Executive Director

Mount Rogers Planning District Commission
1021 Terrace Drive, Marion, Virginia 24354
David Barrett, Executive Director

New River Valley Planning District Commission
6580 Valley Center Drive, Box 21, Radford, Virginia 24141
David Rundgren, Executive Director

Roanoke Valley-Alleghany Regional Planning District Commission
P.O. Box 2569, Roanoke, Virginia 24010
Wayne G. Strickland, Executive Director

Central Shenandoah Planning District Commission,
112 MacTanley Place, Staunton, Virginia 24401
William H. Strider, Executive Director

SOCIAL AND ECONOMIC STATUS OF THE VIRGINIA ARC REGION

Economy

The social and economic assessment of the Virginia Appalachian Region that addressed the region's economic decline has identified lack of population growth, higher unemployment, below average wages, relatively low educational attainment, a lack of a technological infrastructure with the capacity to serve commercial/industrial sites as well as residential customers, and a lack of access to health care services. The following is a brief comparative analysis of the state and local economic trends and critical needs in the Appalachian Region of Virginia.

Forge now being counted under Alleghany County's total. Grayson County had the sharpest drop losing 6.6% of its population since 2001. Table 1 shows the population change in the six Appalachian Planning District Commissions (PDC) and the state.

Population

Virginia's Appalachian Region continues lag far behind the state in population growth. The 2003 population of the Appalachian Region of Virginia is 1,091,698, a modest increase 0.8% from its 2001 level. The State of Virginia's 2003 population was estimated at 7,386,330, resulting in an increase of 2.8% over the same period. Thirteen out of the 30 Virginia Appalachian localities continued to lose population since 2001. Only the counties of Wise, Montgomery, and Alleghany, and the City of Lexington had a higher percentage change in population than the state (2.8% increase). The increase in population for Alleghany County can be primarily attributed to the reversion of Clifton Forge from a city to town, leading to the population of Clifton

Table 1

Population Change 2001-2003 ARC VA and State
(Source: Bureau of the Census)

Legend:
- Roanoke Valley-Alleghany Regional
- New River
- Mount Rogers
- Lenowisco
- Cumberland
- Central Shenandoah
- State

Values shown: 1.3%, 0.8%, -0.04%, 0.9%, -2.0%, 0.9%, 2.8%

Table 2

ARC and State Unemployment Rate 2004
(Source: Virginia Employment Commission 2004 Data)

Values shown: 5.5, 5.2, 5.0, 4.1, 3.8, 3.0, 3.7

Legend:
- Lenowisco
- Cumberland Plateau
- Mount Rogers
- New River Valley
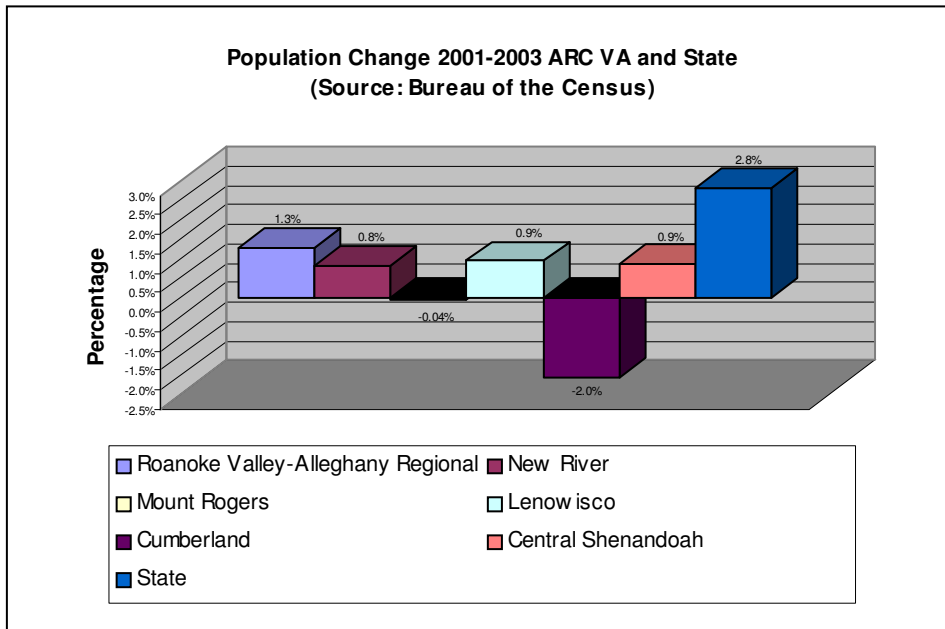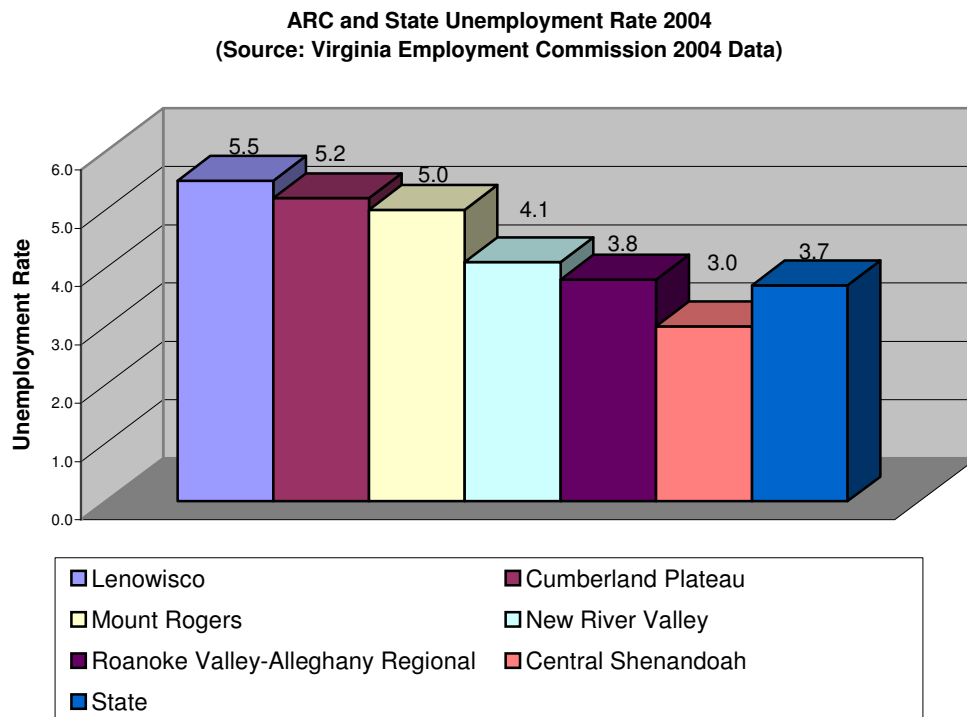- Roanoke Valley-Alleghany Regional
- Central Shenandoah
- State

Unemployment

The Appalachian Region of Virginia has higher unemployment on average than the rest of the state. The average annualized unemployment rate for localities in the Virginia Appalachian Region (4.43%) in 2004 was higher than the state rate of 3.7% for the same period, and five of the six individual PDCs had a higher unemployment rate than the state average. The exception was the Central Shenandoah PDC, which had an average unemployment rate of 3.0% for 2004. The good news is that two PDCs experienced a significant decrease in the unemployment rate from previous years. Cumberland Plateau experienced a decrease from 7.0% in 2003 to 5.2% in 2004, and Mount Rogers realized a drop from 6.8% to 5.0% for the same period. Overall, the average unemployment rate of 4.43% in Appalachian Virginia is lower than the U.S. average of 5.5% for the same period. Dickenson County had the highest rate of unemployment (6.7%) among the localities. This rate is nearly twice than the state unemployment rate in 2004. Twenty-three of the 30 localities in the Region (77%) experienced unemployment rates that were greater than the state rate. Table 2 shows the average annual unemployment rate for the ARC Virginia PDCs and the state in 2004.

The unemployment rate does not take into labor force participation, therefore the number of persons underemployed or persons who have stopped looking for employment are not counted. These two conditions, which are difficult to quantify, are major challenges and indicators of distress in Virginia's Appalachian counties. For example, the participation rate for the United States is 66.1 percent, meaning that two-thirds of those persons 16 and older are active members of the labor force (working or actively seeking employment). In Wise and Lee Counties, the labor force participation rates are 50 percent and 48 percent respectively. If the labor force participation rates were at the U.S average, those persons should be technically considered "unemployed." The current unemployment rates of 5.4 percent in Wise County and 5.3 percent in Lee County would be closer to 20 percent in real terms. By accounting for variables such as the labor force participation rate, a clearer and more accurate picture is presented for the Appalachian Region.

Income

Incomes in Virginia's Appalachian region have not risen as fast as incomes statewide, but show an increase nonetheless. The median adjusted gross income (MAGI) in Virginia grew by 31.5% from 1997-2002, while incomes in the Region grew by 14.2% during the same period. This represents an annual rate of growth of 2.4% for the region and 6.3% for the state. The MAGI for the Appalachian Region in 2002 was $38,067; the MAGI for Virginia was $57,924. Every locality in the Region had a lower MAGI than the state average. Table 3 shows the increase in incomes from 1997-2002 for the Virginia Appalachian Region by PDC as compared to the state.

Table 3

Median Adjusted Gross Income: Virginia and ARC VA 1997-2002
(Source: Weldon Cooper Center for Public Service)

Legend:
- Virginia
- Lenowisco
- Cumberland
- New River
- Mount Rogers
- Central Shenandoah
- Roanoke Valley-Alleghany Regional
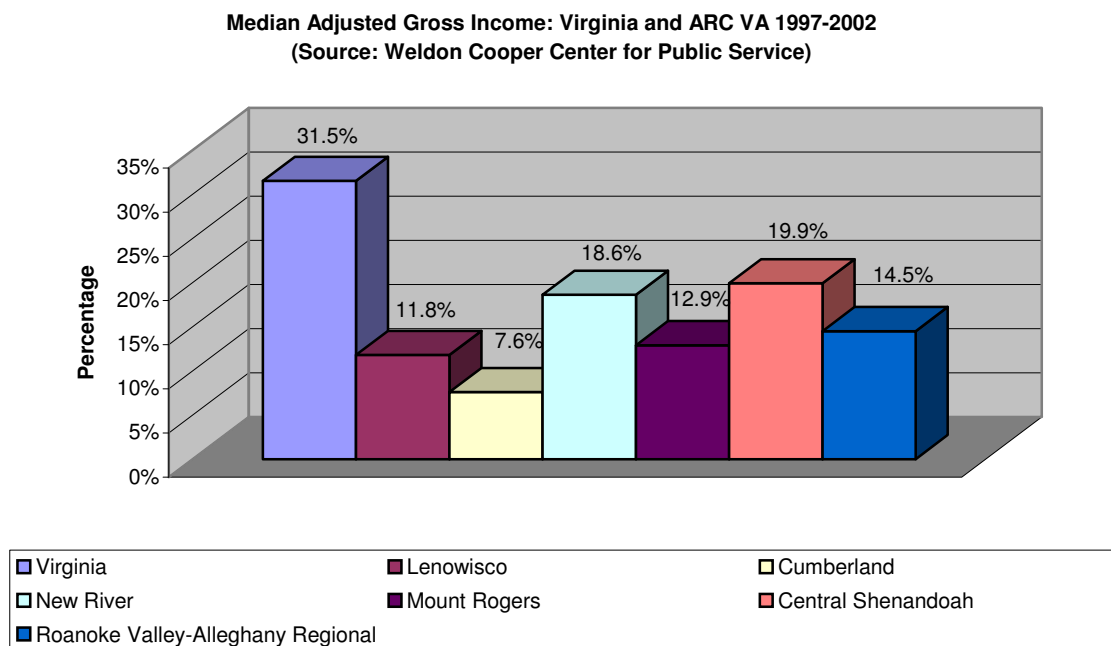
Poverty Level

Poverty continues to be a major factor in Virginia's Appalachian Region. In 2002, the percentage of citizens below the poverty level statewide was 9.6%, while the median percentage in the Appalachian Region was 13.9%, a difference of over 4%. Twenty-six of the thirty localities in the Appalachian region have a higher poverty rate than the statewide average, and overall, the poverty rate for the region increased from 12.8% in 2001 to 13.9% in 2002. Table 4 shows the median percentage of citizens below the poverty line for the Appalachian Region and the state between 2001-2002.

Table 4

Median Poverty Level 2002
(Source: U.S. Census Bureau)
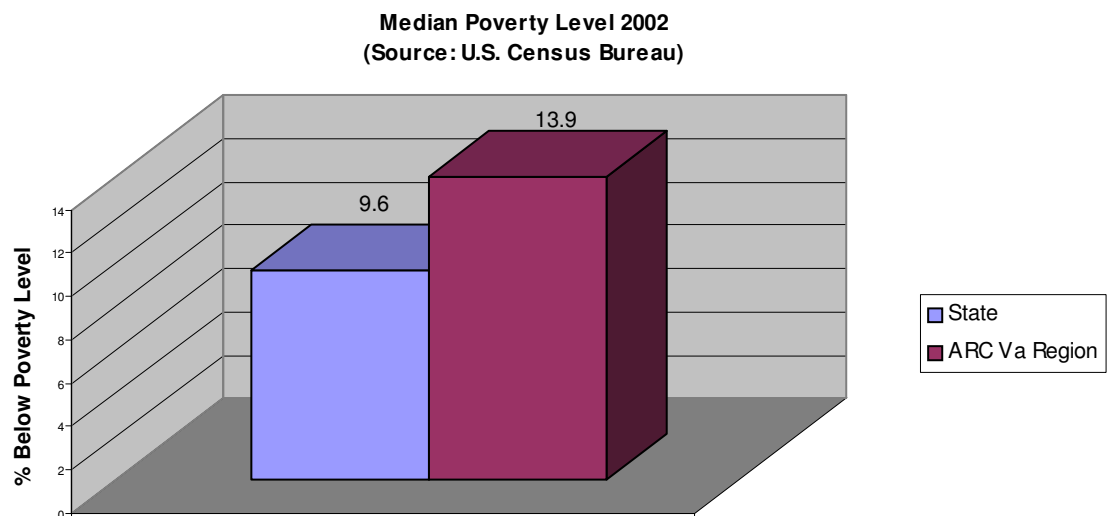
Industry

Despite recent trends of a declining manufacturing sector in the Appalachian Region of Virginia as well as the state, the Region did show a slight increase between the second quarter of 2003 (18.7%) and the first quarter of 2004 (20.2%). Appalachian Virginia continues to rely significantly more on the manufacturing sector as a source of employment than other areas of Virginia, with employment in this sector accounting for more than double the state. Table 5 demonstrates this comparison.

During the years 2003 and 2004, data from the Virginia Employment Commission indicates the average percentage change in service sector jobs in the Region was slightly higher than the State of Virginia. The average percentage change in service sector jobs in the Region increased by 0.9%, while the average percentage change in service sector jobs on the state level increased by 0.7%. Rockbridge County led the Region with an average percentage increase of 10.8%, followed by Wise County at 9.3%.

Between 1998-2000, data from the Federal Reserve indicates service sector jobs are not quite as abundant in the Region as in the State. However, the rate of growth in service sector jobs is only slightly lower in the Region (2.9%) than in the State (3.9%) during the period. Floyd County lead the Region with a rate of growth between 1998-2000 of 11.5% followed by the combined rate of growth in Rockbridge County and the cities of Buena Vista and Lexington at 7.8%.

However, the Region has a higher overall growth rate in government (local, state and federal) jobs than the state. Data from the Richmond Federal Reserve reveals that from 1999-2002 the average annual growth rate in government jobs was 2.6%, almost one and one-half times the state rate of 2%. Rockbridge County and the cities of Buena Vista and Lexington lead the Region with a 9.3% average annual growth rate.

Table 5

Manufacturing Jobs as Percent of Total Jobs – 2nd Quarter 2003 and 1st Quarter 2004
(Source: U.S. Census Bureau)
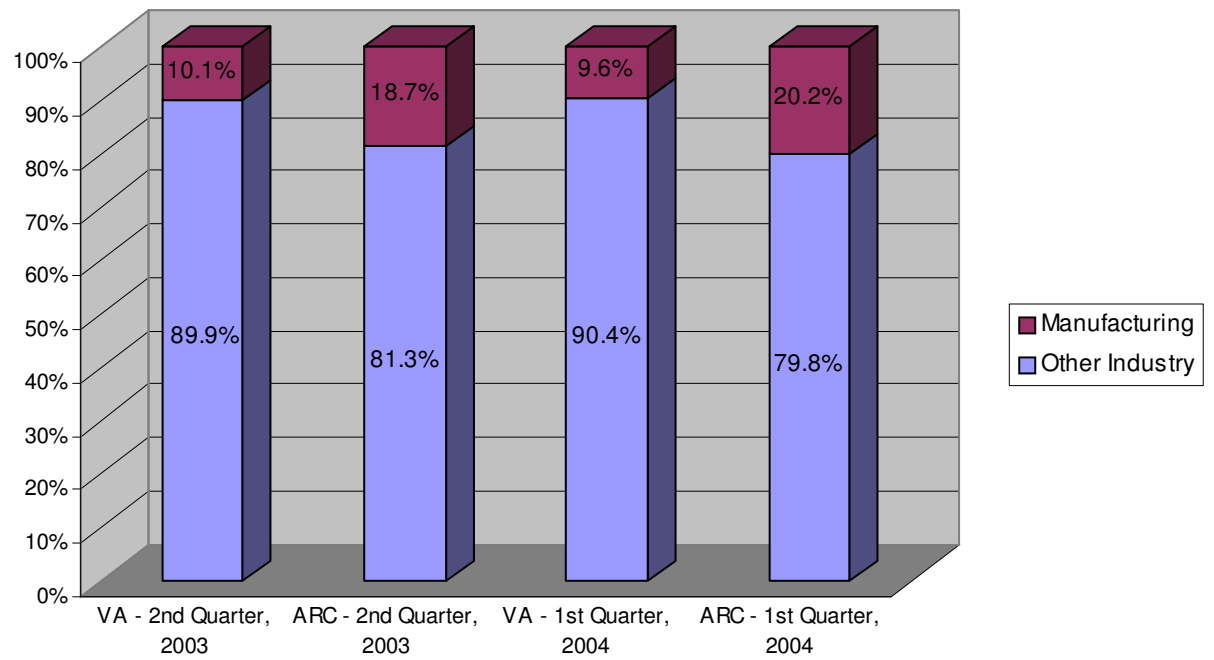
Technology

Data indicates that the ARC region does not have adequate telecommunications/ technological infrastructure necessary to benefit fully from the high tech economy. According to a June, 2002 analysis of the telecommunications and high technology infrastructure of the ARC region conducted by the University of Texas, the Virginia Region had only 6 broadband fiber backbone points of presence, or PoPs, in 5 ARC counties. PoPs are the infrastructure that facilitate access to advanced telecommunications and other technologies. Further, the report reveals that cable modem and DSL (digital subscriber line) services are also limited. There are no more than 12 DSL telephone switches in 4 Virginia

Appalachian localities. There is also a lack of competitive local exchange companies (CLECs), which could provide more competitive, cost efficient services to the region, as opposed to the local telephone service provider. Virginia's Appalachian Region currently maintains only 5 CLEC switches (4.2% of all switches in the ARC region) and 115 incumbent local exchange switches (ILECs). There are 158 CLEC switches outside of the ARC Region as well as 391 ILEC switches. The incumbent telephone service providers have less of an incentive to provide broadband services at a competitive cost. Table 6 shows the disproportionate number of CLEC switches in the ARC Region as compared to the rest of the state.

Table 6

CLEC Switches ARC Virginia and State
(Source: ARC 2002 Report)
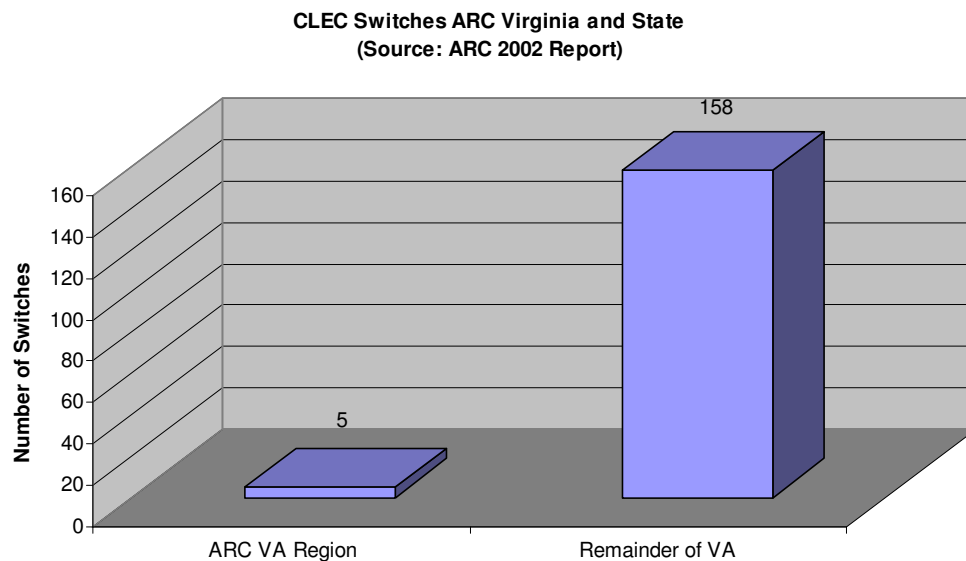
In a June 2004 report that updates the previously mentioned ARC telecommunications report, there has been a modest increase in the number of high-speed providers per zip code. Since 1999, the number of zip codes in the Appalachian Region of Virginia that have at least one high speed provider has increased from 50% to 62%. This number is slightly higher than the average for the entire U.S Appalachian region (59%), but lags behind the overall national average of 88%. Table 7 illustrates the steady increase in high speed providers in Appalachian Virginia, along with gap that still exists when compared to National figures.

Table 7

Percentage of Zip Codes with at Least One High Speed Provider
(Source: ARC 2004 Report)
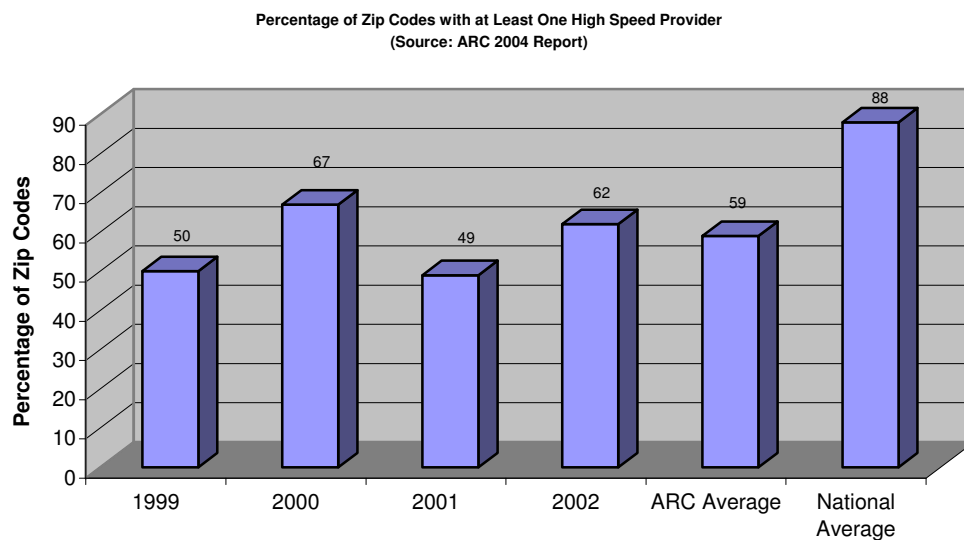
The Virginia Center for Innovative Technology (June 2002, updated in 2004), divides Virginia into 9 technology regions, 3 of which encompass the Appalachian Region. The New Century Technology Region, which includes the Appalachian localities of Smyth, Wythe, Bland, Giles, Pulaski, Montgomery, Floyd, Craig, Botetourt, and Alleghany Counties, as well as the cities of Covington and Radford, employed approximately 7.8% of the total high technology/telecommunications workforce in Virginia in 2004, up from 6% in 2001. In 2001, average annual wages in the tech region were $46,127, as compared to $28,585 for all other industries. The Southwest Virginia Technology Region (Lee, Scott, Wise, Dickenson, Russell, Buchanan, and Tazewell Counties and the City of Norton) employed 1.6 % of the high technology/telecommunications workforce in Virginia in 2004, down slightly from the 2001 figure of 2.2%. The average wage per worker in 2001 for the high tech region was $31,000 compared to $25,200 for all other industries. The Shenandoah Valley

Technology Region (Bath, Rockbridge and Highland Counties as well as the cities of Buena Vista and Lexington and other non-ARC localities) employed 2.7% of Virginia's high technology workforce in 2004, down from 4.4% in 2001. The average annual wage in 2001 in the Tech region is $48,038 as compared to an average annual wage of $27,328 for all other industries. The median salary for the three tech regions, $46,127, is comparable to the median salary ($46,968) for the remaining tech regions in the state. Table 8 compares the percentage of technology jobs in the ARC technology regions with the state.

Table 8

Technology Region Employment - Percentage of Total Tech Jobs (3rd Quarter, 2004)
(Source: Virginia Center for Innovative Technology

- New Century Technology Region
- Southwest Virginia Technology Region
- Shenandoah Valley Technology Region
- State of Virginia

7.8%   1.6%   2.7%   87.9%
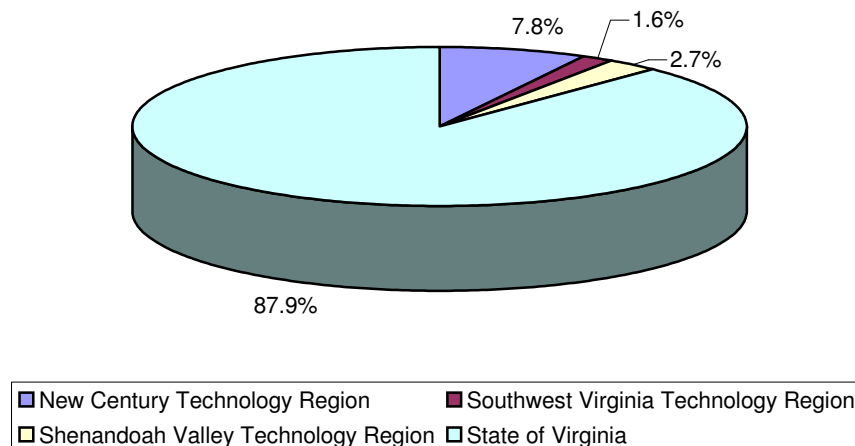
Housing

Data indicates that the housing stock in Virginia's ARC region is somewhat dated, but that construction of new homes has increased. The median percentage of housing built prior to 1960 for the Region is 33.1%, compared to 13.4% statewide. However, the median percentage of homes built in the Region since 1990 is 17% compared to 8.1% statewide. The county with the oldest housing stock is Highland County, where 53.2% of the housing was built prior to 1960, while the city with the oldest housing stock is Covington, with 70.2% of the housing stock having been built prior to 1960. Craig County had some of the newer housing stock with

28.6 percent of housing being constructed since 1990. Despite some increases since 2001, building permits for single-family units appear to lag behind the rest of the state. 2004 building permit data indicates building permits for single- family units in the Region comprised 5.7% of the total number of units in the state (48,694 units), up slightly from 5.4% in 2001 but lower than the 6.2% reported in 2003. In 2004, building permits in the Region accounted for 4.3% ($349,295,753) of the total state cost of $8,050,326,808, a slight decrease from 2001 (4.4%) and 2003 (5.3%). Table 9 compares housing built in the ARC Region of Virginia prior to 1960 with the state.

The ARC Region of Virginia also has a substantial number of citizens living in manufactured housing. Although the percentage of people statewide living in such housing is 6.4%, the median percentage of citizens in the

Appalachian Region is 14.5%. Fourteen ARC localities have 20% or more of residents living in manufactured homes.
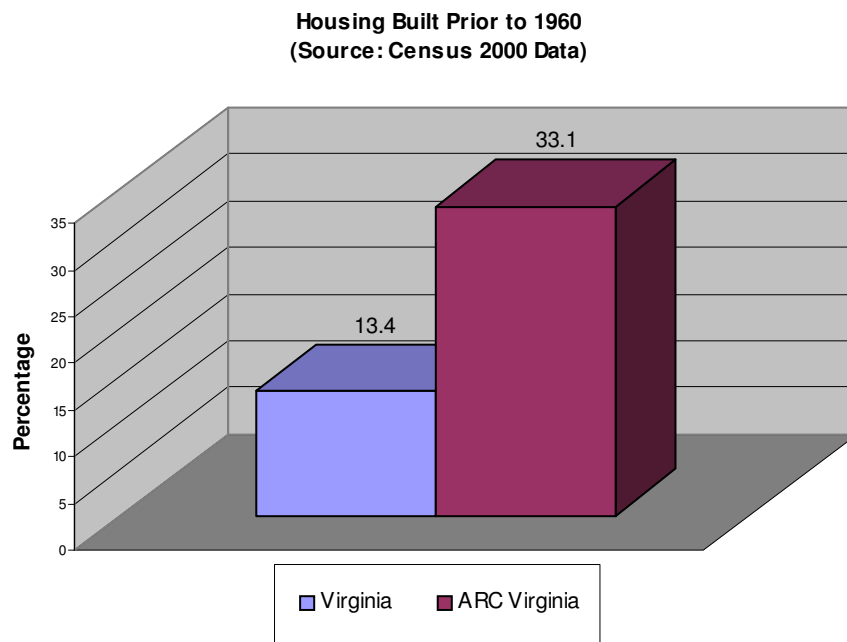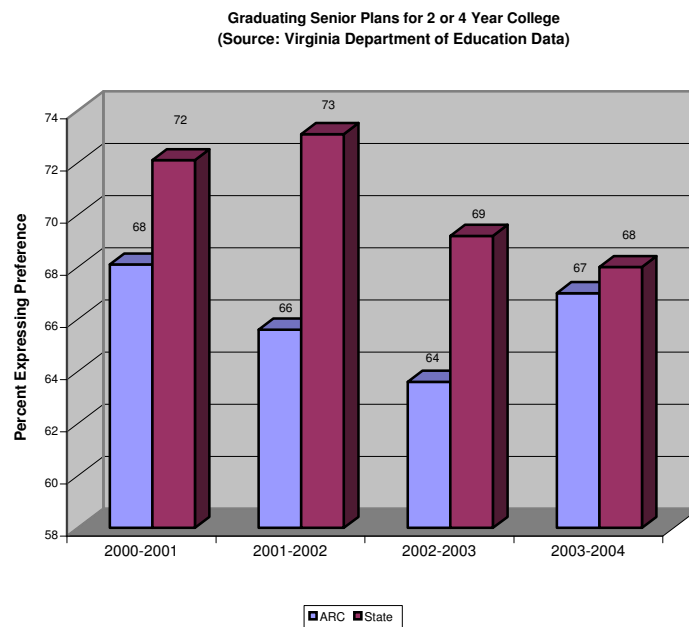
Table 9

Housing Built Prior to 1960
(Source: Census 2000 Data)

Table 10

Graduating Senior Plans for 2 or 4 Year College
(Source: Virginia Department of Education Data)

Education

Based on an informal analysis of each public school's 2004-2005 School Accreditation Rating, 78% of all pubic schools in Appalachia Virginia achieved the *fully accredited* status, compared to the statewide figure of 86%. Accreditation ratings are based on the achievement of students on tests taken during the previous academic year, and may also reflect a three-year average of achievement.

Graduation Rate

The median high school graduation rate in the Appalachian Region of Virginia for the 2003 school year is approximately 81%, slightly below the state graduation rate of 82% for the same year.

Continuing Education Plans

Based on updated data on the plans of Appalachian Region high school graduates from the 2000-2001 through 2003-2004, the plans expressed by graduating Appalachian high school seniors have been relatively constant with respect to those expressing education plans other than college enrollment, those having no plans for continuing educations, and those planning to pursue continuing education at two or four year colleges. It is worthy to note a slight reversal of a recent downward trend in the numbers of students in the Appalachian Region planning to attend either a two or four year college. Of those students describing their plans, 68% of high school graduates in 2000-2001 (72%

statewide) were planning to attend a two or four year college, approximately 66% of graduates during the 2001-2002 year were planning to continue their education in similar fashion (73% statewide), 64% of students in 2002-2003 (69% statewide) were planning to pursue a similar path, and in 2003-2004, 67%. Table 10 compares the plans of graduating high school students in the ARC Region of Virginia with the state.

Based on Census 2000 data, it appears that while respectable numbers of high school graduates seek to further their education, substantially lower percentages of a college- educated populace actually live in the Appalachian Region. While the median percentage of Appalachian residents aged 25 and over with a high school diploma is 70.6%, the median percentage of Appalachian residents aged 25 and over with a bachelor's degree or higher is 11.1%. The statewide percentage of citizens with a bachelor's degree or higher is 29.5%, over two and one-half times the median Appalachian percentage. Only Montgomery County (35.9%) and the cities of Lexington (42.6%) and Radford (34.1%), communities with major public or private institutions of higher education, had higher percentages than the statewide average of those aged 25 years and older with a bachelor's degree or higher. Table 11 compares the median percentage of Appalachian Region residents 25 and older with a bachelor's degree or   higher to the statewide percentage.

Table 11

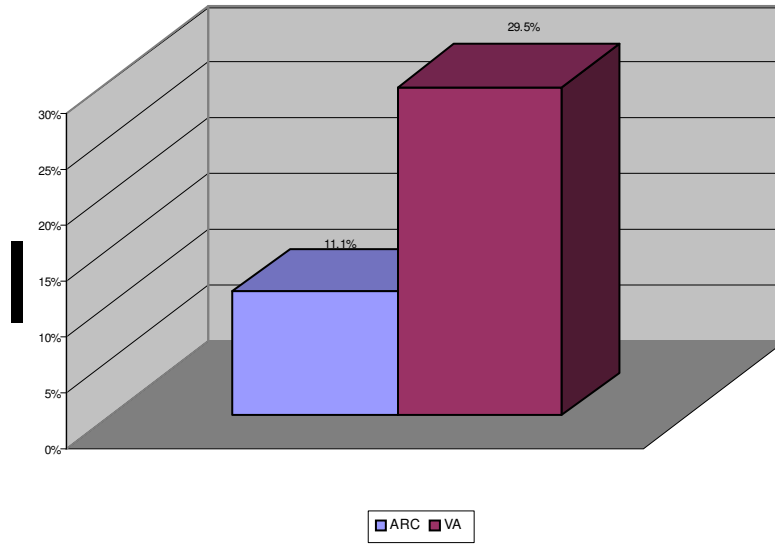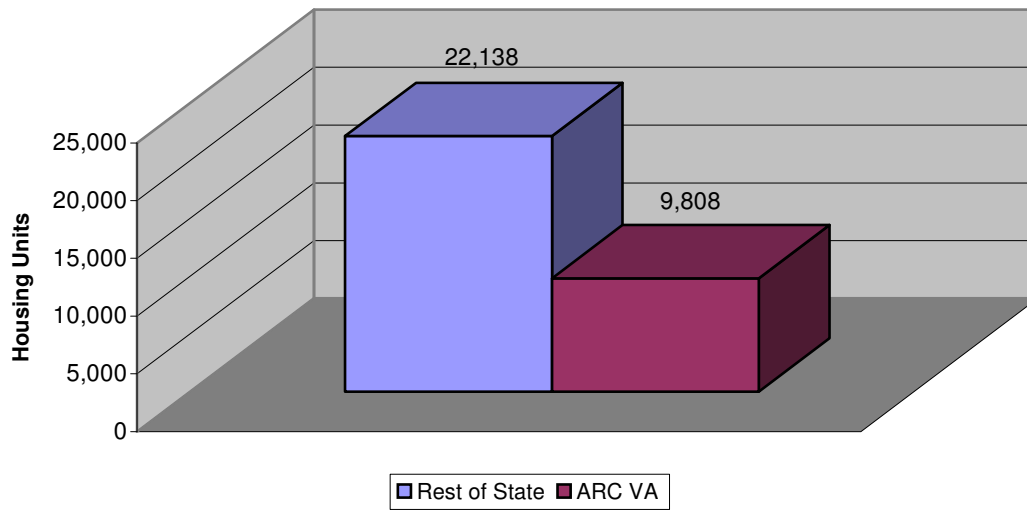**Population 25+ with Bachelor's Degree: 2000**
(Source: Census 2000)

Table 12

Housing Units Lacking Complete Plumbing Facilities
(Source: Census 2000)

Plumbing Facilities

Based on 2000 Census figures, a rate of 1.1% of houses in Virginia lacked complete plumbing facilities. In Virginia's Appalachian Region, the median rate was 2.3%, which represents an improvement over a 1990 Census data median rate of 3.1%. According to Census 2000 data, 31,946 homes lacked complete plumbing facilities, with approximately 9,808 or 31% located in Virginia's Appalachian Region. The LENOWISCO Planning District Commission had the highest median rate of 3.6% of homes lacking in complete plumbing facilities, while Highland County had the highest percentage of homes per locality (11.1%) lacking complete plumbing facilities. Table 12 shows the number of housing units without access to indoor plumbing facilities in the ARC Region of Virginia compared with the rest of the state.

Water and Sewer Connection

Unlike the 1990 Census, the 2000 Census does not provide data on the number of households with water and sewer connections. As a result, current data on water and sewer connections is unavailable.

Kitchen Facilities

According to 2000 Census data, 1% or approximately 29,042 households in Virginia lack complete kitchen facilities. For the Appalachian Region of Virginia, the median rate is slightly higher, where 1.6% (approximately 8,319) homes lack complete kitchen facilities.

Health Care

Data from the Virginia Primary Care Association confirms that access to medical care continues to be a major concern in Virginia's Appalachian Region but that progress has been made. In a 2001 Marketplace analysis, all PDCs in the Appalachian Region are categorized into two marketplaces, Highland and Southwest. In the Highland Marketplace, 13% or 40,644 residents were uninsured in 1998. The percentage of uninsured Virginians is the same as the state percentage at that time. In the Southwest Marketplace, 15% of the marketplace's 802,744 residents, or 120,411 residents, were uninsured. The uninsured percentage is 2 percentage points higher than the 1998 state percentage.

Data also indicates that residents of Virginia's Appalachian Region rely extensively on the government health care programs Medicare and Medicaid. At least 69,467 residents (22%) in the Highland Marketplace in the year 2000 were enrolled in Medicaid and Medicare. At least 248,042 residents (30.9%) in the Southwest Marketplace were enrolled in Medicare and Medicaid. Both marketplaces have a higher percentage of Medicare and Medicaid enrollees than the state percentage of 19.6%. Data indicates that access to health care professionals is more limited in the Appalachian Region of Virginia than the rest of the state. According to federal guidelines for the designation of geographic areas as a Health Professional Shortage Area (HPSA), (1) the geographic area involved must be

Table 13

HPSA Counties, August 2003
(Source: U.S. Health Resources and Services Administration)

Y-axis: Number of Counties (0, 20, 40, 60, 80)

ARC: HPSA Counties = 16, Non-HPSA Counties = 7
Rest of State: HPSA Counties = 39, Non-HPSA Counties = 33

Legend: ☐ HPSA Counties ☐ Non-HPSA Counties
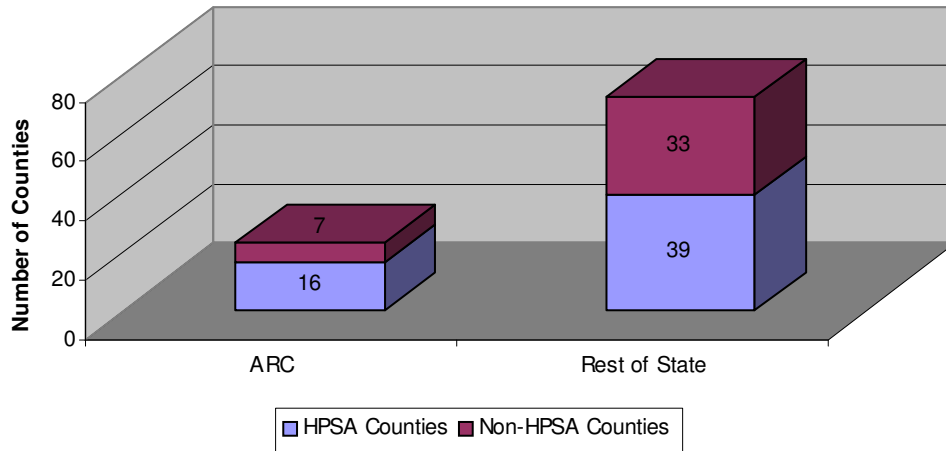
Table 14

MUA Designations ARC and State 2005
(Source: U.S. Health Resources and Services Administration Database)

Y-axis: Designations (0, 10, 20, 30, 40, 50, 60, 70, 80)

ARC = 18, Rest of State = 72

Legend: ☐ ARC ☐ Rest of State
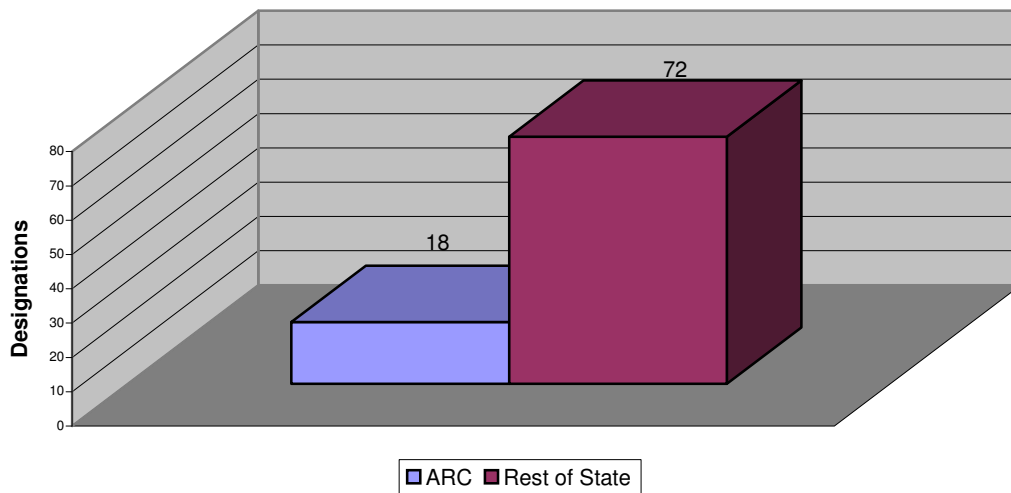
rational for the delivery of health services, (2) a specified population-to-practitioner ratio must be exceeded within the area, and (3) resources in contiguous areas must be shown to be overutilized, excessively distant, or otherwise inaccessible. In Virginia, 55 counties have been designated as a HPSA. Of those counties, 16 (or 70% of all Appalachia Virginia counties) are located in the Appalachian Region of Virginia. The 39 HPSA counties outside of the Appalachian Region constitute only 54% of all remaining Virginia counties. County-level data indicates a greater shortage of health care professionals in the Appalachian Region relative to the rest of the state. Table 13 compares HPSA counties in the ARC Region with the rest of the state.

During the period from 1998 to the present time, a substantial portion of localities in the Appalachian Region of Virginia have been designated annually by the federal government as Medically Underserved Areas (MUA). This classification denotes localities that fall below an indexed weighted, cumulative score on four variables (primary care physicians per 1,000 population, percentage of population below the poverty level, the infant mortality rate, and the percentage of the local population that is age 65 or older.) In the case of Virginia's Appalachian Region, 18 of the 30 counties and cities in the Region (60%) have received this designation each year in this comparison. An additional 72 localities have received this designation statewide. Table 14 compares MUAs in the Appalachian region with the remaining designations statewide. During the period from 1997 through 2001, actual average charges for inpatient hospital care in the Virginia Appalachian Region

were consistently below those for the state as a whole.

The disparities between the state and the Region ranged from $1,268 in 1998 to approximately $1,853 in 2001.   Table 15 compares the inpatient hospital charges per discharge for the period 1997-2001.

Length of Stay

With the exception of 1997 data, which has not been explained, the Virginia Appalachian Region has sustained an average length of stay for discharges that has been .4% below that of all discharges in the state for a comparable length of time (1997-2001). While the disparity between the Region and the State data is marginal, the data is a good predictor of health care usage in Virginia and its citizens in its Appalachian Region.

Uninsured Virginians

According to the Virginia Health Care Foundation, approximately 15% of Virginians are lacking health insurance. For the Appalachian Region of Virginia, just over 20% of the population does not have health insurance. While state and federal programs have made health care more accessible for children in the Appalachian Region, data suggests that additional work is needed to provide health insurance for a significant number of children. February 2003 data from the Virginia Health Care Foundation indicates that of the 91,668 children in Virginia without health insurance, 9,953 (10.8%) children are in the Appalachian Region of Virginia. Data on 28 of the 30 Appalachian localities indicates

Table 15

Average Hospital Charge Per Discharge
(Source: VHI Inc)

Line chart showing Average Charge Per Discharge by Year.

- 1997: State $9,958; ARC Region $8,267
- 1998: State $9,894; ARC Region $8,626
- 1999: State $10,397; ARC Region $8,802
- 2000: State $11,091; ARC Region $9,328
- 2001: State 11,881.11; ARC Region 10,028.87

Legend: ◆ ARC Region ■ State

Table 16

Uninsured Children ARC and State
(Source: Virginia Health Care Foundation)

Bar chart showing Uninsured:
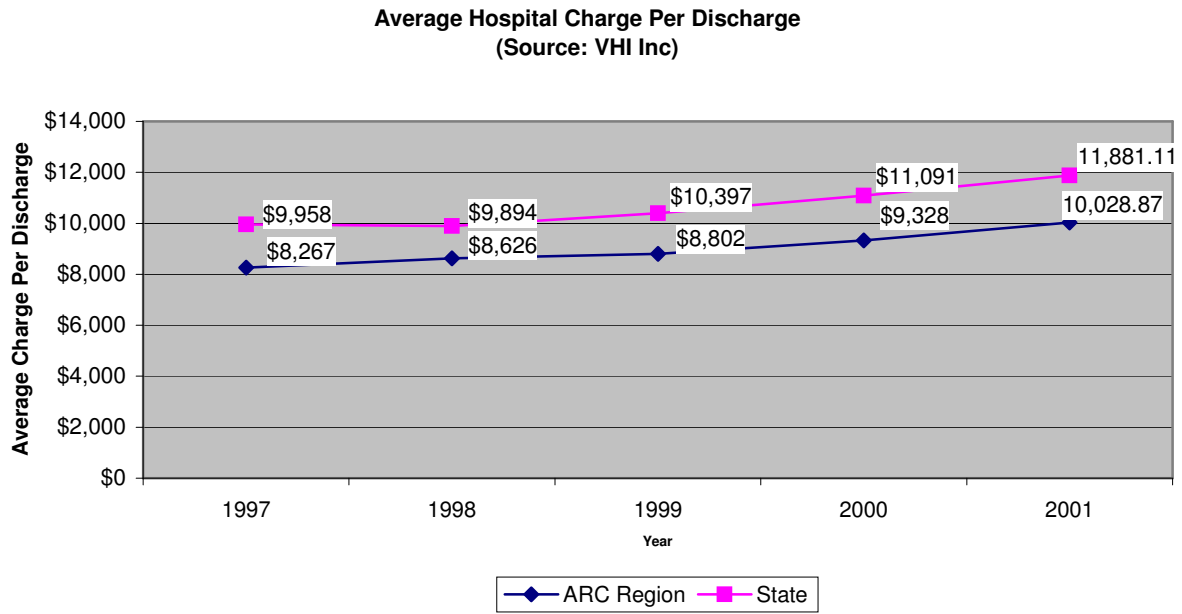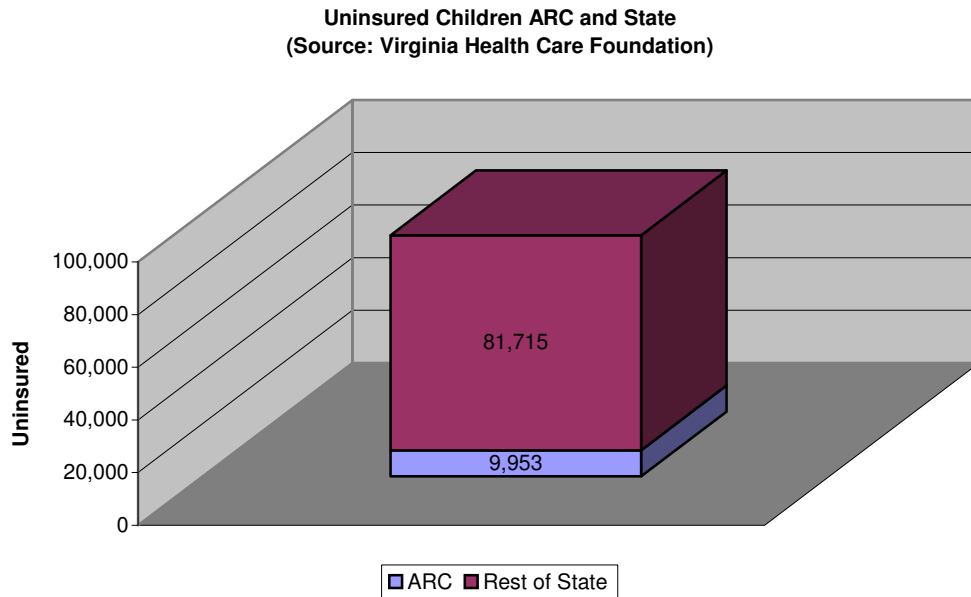- ARC: 9,953
- Rest of State: 81,715

Legend: ARC Rest of State

Montgomery County had the highest number of uninsured children (1,466) and Bath County had the lowest number of uninsured children (12). Table 16 compares the number of uninsured children in the ARC Region of Virginia with the rest of the state.

Additional Health Indicators

Based on 2001 data from the Virginia Department of Health, Appalachia Virginia has a higher rate of death from hearth disease and lung cancer than the statewide average. In Virginia, the heart disease death rate was 206 per 100,000, compared to 324 per 100,000 in the Appalachian Region, while the lung cancer death rate was 52 per 100,000 statewide, while the rate in Virginia's Appalachian region was 79 per 100,000.

According to the U.S Drug Enforcement Administration, Virginia is one of the half dozen states commonly cited by law enforcement and medical practitioners when discussing the national OxyContin abuse "epidemic." While specific data was not available, the abuse of OxyContin and other prescription drugs was noted to have a "long history in Virginia, particularly in the southwestern portion of the state."

Based on this same data, the infant death rate in Appalachian Virginia (5.7 per 1,000 live births) is lower than the statewide average (6.4 per 1,000 live births).

The teen pregnancy rate is also lower in the Region compared to the rate for the Commonwealth. In the Appalachian area, the teen pregnancy rate is 24.8 per 1,000 (for teens age 10-19), less than the state average of 29.4 per 1,000.

Public Safety
According to the Virginia Health Care Foundation, residents of Appalachian Virginia do enjoy a significantly lower crime rate when compared against the rest of the Commonwealth. The crime rate for the region is 2,555 per 100,000, whereas the state crime rate is more than double (5,435 per 100,000).

Community Revitalization

Revitalization of communities and neighborhoods to provide a high quality living environment remains a major state strategic goal. Efforts are underway on a number of fronts to promote this goal. Comprehensive technical assistance and training are offered to local Main Street organizations for downtown revitalization. The Federal and State Enterprise Zone Community Program provides a major resource for community revitalization by providing tax credits to businesses that create jobs targeted for economically distressed individuals of the area. The Virginia Community Development Block Grant Program offers many options for grant money for community and downtown revitalization.

The Commonwealth has initiated several key efforts that will provide a significant boost to the Region. The Crooked Road: Virginia's Heritage Music Trail and the

Virginia Artisan Network will build upon the rich heritage of Appalachian music, arts, and crafts by connecting major venues and coordinating marketing and promotional efforts. These efforts are both closely aligned to the Governor's *Virginia Works* Initiative.

Additionally, $5,000,000 in state General Funds have been allocated in 2005 to help pay the capital costs for safe drinking water and wastewater treatment in the LENOWISCO, Cumberland Plateau, and Mount Rogers planning districts. These funds, leveraged with other sources such as ARC and CDBG, will provide a substantial improvement to the quality of life for residents in Virginia's Appalachian region.

Civic Development and Leadership

The State ARC office will continue to look at efforts to increase the capacity of existing local development organizations. This involves professionally delivered assistance in the areas of leadership development and training, institution of community strategic planning processes, utilization of telecommunications and technology in local government management, community and economic development, and use of innovative approaches to service delivery, including public-private sector partnerships and regional approaches, wherever possible. Virginia is entering its fourth year of participation in the ARC FLEX-E-GRANT Program. Virginia's efforts target leadership and capacity-building in the Distressed Counties.

Critical Needs of the Region

The key to future economic growth and prosperity in the Appalachian region of Virginia lies in strengthening the competitiveness of existing industry, supporting the formation of new small and medium sized businesses, especially high-wage, high technology firms, and continued development of the state's tourism industry. Specific needs of the region are listed below:

- Shortage of affordable capital;
- Support for improved development, networking, and marketing of the state's tourism attractions;
- Improved coordination of business assistance including consolidation of business services at central locations, where possible, for more comprehensive service;
- Continued support for safe, reliable water supplies and systems;
- Assistance with worker training technology adaptation/modernization and formation of new technology-based businesses;
- Support for manufacturing enterprises, which would process and add value to existing Virginia products, particularly wood products.
- Continued support for the area's entrepreneurial business efforts
- Assistance in locating and accessing markets, particularly exporting assistance;
- Assistance in providing telecommunications infrastructure and access;
- Assistance in developing telemedicine infrastructure;

- Support for homeownership and availability of affordable housing.

The Region's Strengths, Weaknesses, Opportunities and Threats

The following is a listing of the strengths, weaknesses and opportunities that are critical elements which feed into the assessment of the above mentioned economic and social indicators and the region's critical needs. These elements have been identified by participants during focus groups and other meetings in the region.

Strengths:
- Strong work ethic
- Unique natural and cultural heritage;
- Tradition of regional cooperation and progressive local elected leadership;
- Economic development structure in place and functioning;
- Excellent LDDs;
- Access to technical and planning resources;
- Strong, well-respected two-year and four-year colleges.

Weaknesses:
- Outmigration of educated workers;
- Average annual wages below state level;
- Lack of infrastructure;
- Lack of access;
- Heavy reliance on single sector employment (lack of diversification);
- Lack of developable land for industrial sites;

- Lack of affordable health care.

Opportunity Identification for the Region:
- Fund a variety of projects with longer ranged impact and leverage with varying funding sources to ensure success;
- Create community awareness among young people;
- Strengthen asset-based development efforts
- Provide incentives for students to stay in the Region;
- Encourage and reward regional partnerships;
- Maintain ARC program flexibility;
- Pursue improvements in telecommunications.
- Explore/Develop nontraditional businesses;
- Promote long-term comprehensive, regional planning;
- Provide assistance to existing business in the Region to help them expand, grow, and create jobs;
- Capitalize on eco/heritage tourism opportunities.

Overall economic growth is a critical need of the Region, and is the focus of the Virginia ARC program. Virginia's challenge is to work with the strengths of the Region, find methods to take the best advantage of the Region's many opportunities, and to deal with its imperfections.

Identification of Distressed And Competitive Counties

Distressed County

The Appalachian Regional Commission (ARC) designated one county as Distressed Counties for FY 2006. This county is Dickenson. The ARC designated distressed counties are generally located in the coalfield's subregion of Southwest Virginia. The economies of these counties are traditionally based on coal mining and other natural resource industries. The lack of economic diversity, their relative geographic isolation, and the quasi-dependence on the coal industry have been, in the past, contributors to the area's limited economic vitality. With the decline in coal employment driven by global economic trends, technical innovation, and reserve depletion, renewed efforts are underway to reinvigorate the local economies.

Much of this distressed county area has a mountainous terrain and substantially inadequate infrastructure; provision of basic services such as water, wastewater and solid waste is expensive. Groundwater sources are limited and of poor quality. The areas are highly rural, characterized by isolation and scattered settlements typical of Central Appalachia. The local governments have a very limited local ability to generate revenue. Several droughts in recent years have contributed to the extent of the need for water in several of the distressed counties. The area is struggling with developing infrastructure telecommunications and access to help overcome their geographic isolation.

The Virginia ARC program provides financial leveraging incentives for projects developed in these distressed counties. The program also seeks to contribute to the enhancement of economic development activities in the distressed counties. Strategies to promote infusion of ARC funds into this County includes:

- Continuation of funding for regional water and sewer infrastructure projects
- Continuation of regional initiative efforts that promote asset-based development and telecommunications
- Exploration of solutions for health issues and use of telemedicine to address these
- Continuation of telecommunications projects in Distressed areas
- Administration of Flex-E-Grant Program and similar capacity building efforts
- Continuation of efforts to capitalize on the region's rich cultural heritage

Attainment County

Botetourt County is Virginia's only ARC-designated attainment county. Income, unemployment and poverty measures since 1980 reflect the county's overall stable, positive economic vitality. Within Botetourt County, economic disparity exists between the southern part of the county that is part of the Roanoke region and the northern part of the county whose economy identifies more closely with the Alleghany Highlands' economic profile. Therefore, Botetourt's overall economic indicators of income, population growth, unemployment, and poverty tend to be indicative of the county's positive

economic contributions generated as part
of the Roanoke economic region.

Competitive County
Bath is Virginia's only ARC-designated
competitive county. Until this year,
Bath had been categorized as a
transitional county. However, improved
economic conditions in the county have
led to this change in designation.

New Counties and Cities
No new counties or cities were added to
Virginia's Appalachian region for FY
2006. However, for 2006 Buchanan
County, reverted to being a Transitional
County based on 2000 Census figures.

STATE OBJECTIVES AND STRATEGIES

In response to the Appalachian Regional Commission's newly developed strategic plan, "Moving Appalachia Forward, ARC Strategic Plan 2005-2010" strategic goals, the Commonwealth of Virginia has developed objectives and strategies that will guide Virginia's investments of Appalachian Region Commission (ARC) funds for Fiscal Year 2005. These goals, objectives and strategies are described below:

Commission Goal 1:
Increase Job Opportunities and Per Capita Income in Appalachia to Reach Parity with the Nation.

State ARC Objective:
Promote regional partnerships that support regional economic development, encourage activities that diversify the economic base, enhance entrepreneurial activities, develop a highly skilled, competitive workforce, and provide training and technical assistance to agents engaged in economic development.

Strategies:

1.1   Encourage public-private sector partnerships and regional approaches to economic development, marketing, regional competitiveness, and business assistance.

1.2   Develop and market strategic assets for local economies (heritage and cultural tourism and creative economies).

1.3   Support tourism activities that are directly linked to overall regional economic development strategies.

1.4   Encourage projects which diversify the economic base, including asset-based development.

1.5   Encourage communities and community leaders to develop the skills and tools necessary to use existing and innovative telecommunications technology to assist in their community and economic development efforts.

1.6   Participate in business development efforts which will assist existing businesses with expansion activities.

1.7   Assist in the expansion of the availability of capital for small and medium-sized businesses, including microenterprises and new small technology-based companies through the use of revolving loan funds or other financing mechanisms.

1.8   Assist small and medium-sized businesses to access markets for their products, with emphasis on export training and assistance that will enable them to participate in the international marketplace.

1.9   Encourage the development of telecommunications and other

technologies to assist in improving the participation of Appalachian businesses in the international marketplace.

1.10   Support the expansion of value-added businesses and sustainable development strategies to build sustainable local economies.

1.11   Capitalize on the economic potential of the Appalachian Development Highway System.

1.12   Support programs that will ensure the availability of a workforce with skills and abilities required to promote economic retention and growth.

1.13   Implement workforce readiness programs such as technologically literate workforce training and technological training in math, science, and engineering that will ensure students are given the necessary skills to enable them to find and hold jobs.

1.14   Strengthen the delivery of workforce training programs among the various provider agencies in order to improve the business retention, expansion, and formation efforts.

1.15   Support programs that will provide access to entrepreneurship training for high school students and adults.

1.16   Foster civic entrepreneurship.

1.17   Assist communities and regions in establishing ongoing strategic planning and management processes.

1.18   Encourage efforts to establish ongoing local and regional civic and leadership development programs.

1.19   Encourage Local Development Districts (LDDs) to become more involved in local and regional capacity building.

Commission Goal 2:
Strengthen the Capacity of the People of Appalachia to Compete in the Global Economy

State ARC Objective:
Develop a world class work force that is well educated and appropriately trained for the job market, as well as provide adequate health care services throughout the Region.

Strategies:

2.1   Provide skill development training for high demand jobs which currently lack adequate training programs (ex. construction).

2.2   Continue to support initiatives that will reduce the school dropout rates.

2.3   Support programs that will improve the enrollment of Virginia Appalachians in post-secondary education.

2.4   Continue to expand educational opportunities through telecommunications.

2.5   Strengthen the delivery of workforce training programs among the various provider agencies in order to improve the business retention, expansion and formation efforts.

2.6   Implement work force readiness programs such as technologically literate work force training and technological training in math, science that will ensure students are given the necessary skills to enable them to find and hold jobs.

2.7   Encourage communities and community leaders to develop knowledge, skills and abilities necessary to use existing and innovative telecommunications technology to assist in their community and economic development efforts.

2.8   Encourage the establishment of partnerships and innovative arrangements among health care providers in Appalachian Virginia in order to assure quality care and the efficient use of available health care resources.

2.9   Encourage the use of telemedicine technology to assist in the delivery of rural health care services, to include wellness and prevention efforts

2.10   Support projects which include wellness and healthcare prevention efforts.

2.11   Continue efforts to place doctors and other medical professionals in medically underserved areas through physician and other recruitment programs.

2.12   Support efforts to initiate and expand early childhood education programs.

2.13   Support programs to increase access to quality child care.

2.14   Encourage local leaders to develop innovative, cost-effective arrangements for delivery of healthcare services, including regional approaches, privatization and service consolidation.

2.15   Foster civic entrepreneurship.

Commission Goal 3:
Develop and Improve Appalachia's Infrastructure to Make the Region Economically Competitive

State ARC Objective:
Assist communities to provide and develop an adequate physical infrastructure to support economic development opportunities and improve the quality of life.

Strategies:

3.1   Assist community water supply and wastewater treatment projects that will support private investment leading to job creation or retention.

3.2   Assist community water supply and wastewater treatment projects that will support private investment leading to job

creation or retention in distressed counties and that will address serious health/environmental compliance problems. Such projects could be proposed to be carried out through a Self-Help method of implementation.

3.3   Support continued efforts to expand the Region's stock of safe, affordable housing.

3.4   Build and enhance environmental infrastructure, such as brownfields redevelopment and eco-industrial activities.

3.5   Support infrastructure projects where installation of telecommunication conduit (dark fiber) is included in construction with the larger infrastructure project, to increase local and regional connectivity.

3.6   Provide financial and technical assistance to communities for development of industrial sites and parks, shell buildings, business incubators and micro-enterprises.

3.7   Increase accessibility and utilization of telecommunications technology, especially to identify markets and consumer groups.

3.8   Support public-private sector partnerships, which provide clear and measurable service outcomes directly associated with quality sustainable job creation activities, to deploy advanced traditional and nontraditional cost-effective solutions and increase advanced

telecommunications infrastructure capacity.

3.9   Provide access to child and adult care services in specific work-related environments.

3.10   Assist in the local revitalization efforts that will increase the physical and economic revitalization of communities, neighborhoods and downtowns.

3.11   Support local access road projects which would result in job creation or retention opportunities or community revitalization.

3.12   Help establish multi-county projects for establishing solid waste collection, disposal and recycling.

3.13   Foster development of an intermodal transportation network.

3.14   Capitalize on the ADHS and its development potential.

Commission Goal 4:
Build the Appalachian Development Highway System to Reduce Appalachia's Isolation

State ARC Objective:
Expand and upgrade existing roadways in rural communities to allow greater access to resources and opportunities for increased economic growth

Strategies:

4.1   Capitalize on the ADHS and its development potential.

4.2   Promote a development approach for the ADHS that preserves the cultural and natural resources of the Region while enhancing economic opportunity.

4.3   Encourage strategic, appropriate development along ADHS corridors (industrial parks, commercial development, and intermodal transportation).

4.4   Continue to support the development of the Coalfields Expressway.

4.5   Support infrastructure projects where installation of telecommunication conduit (dark fiber) is included in construction with the larger infrastructure project to increase local and regional connectivity.

4.6   Foster civic entrepreneurship.

Virginia's Regional Development Priorities

Governor Mark Warner took office in January, 2002. Governor Warner is committed to investing in and working with Virginia's Appalachian communities to address critical economic issues. The Administration's strategy for economic and community development for the Commonwealth, including Virginia's Appalachian Region has been developed.

In implementing this strategy, the administration is focusing on continuing and refining many existing economic development efforts, as well as developing new methods to achieve the established goals for Governor Warner's administration. In drafting this development strategy for Appalachian Virginia and in the development and adoption of the "One Virginia, One Future" economic development plan for the state, Governor Warner relied on the following principles to guide his priorities and objectives:

- The most valuable investment that can be made in the Region is in its people;
- Entrepreneurial economies that focus on high value-added goods and services offer the best opportunity for economic growth for many parts of the region;
- Strategies and objectives should take into consideration the need for the ARC region to participate and compete in the global economy;

- Economic development should be community-based and emphasize local decision making;
- ARC investments should take advantage of technology and telecommunications applications;
- ARC should promote an atmosphere of open and productive communication among all stakeholders in the Region; and
- ARC should focus special attention on the areas of greatest need.

To further economic development in rural Virginia, the Governor has recently introduced the *Virginia Works Initiative*. This effort consists of a series of new approaches to economic development in Virginia's rural communities to help existing industries, promote the creation of new industry, and strengthen the communities hit hardest by changing economies. The package of carefully targeted investments, totaling approximately $11 million in the current biennial budget, is designed to create new jobs and build the foundation for a stronger future in rural Virginia. Included in this initiative are special programs that focus on:

- Regional partnerships;
- Rural tourism;
- Virginia artisans;
- Advanced manufacturing;
- Specialty agriculture;
- Creation of a Community Development Bank;
- Better usage of New Market tax credits; and

- Redevelopment of old industrial sites.

Additionally, Governor Warner's initiative "Education for a Lifetime" is designed to achieve goals to help build a Commonwealth of Opportunity for all Virginians and focuses on six major elements:

- Higher quality child care
- A renewed commitment to accountability
- Senior year reform
- Improved teacher and recruitment and retention
- Increased economic development through higher education
- Improved workforce development

The relationship between these principles, the Commission's four goals and Governor Warner's "One Virginia, One Future" and *Virginia Works* economic strategies for the Commonwealth and the Governor's "Education for a Lifetime" Initiative is clear and seamless. Many of Governor Warner's stated goals and objectives directly support the Commission's goals and will target critical services and funds to Virginia's Appalachian Region. All of these efforts will bring to bear on the economy of Virginia greater investment by leveraging private, federal, state, and local resources. In a time when budgets are tight, it is necessary for all partners to realize that the greatest resources are not always simply dollars but are also found in the hard work, determination, intelligence, and creativity of a community.

In addition to the Virginia State ARC objectives and strategies outlined previously (pages 31-35), the following

summary shows the relationship between the four goals of the ARC and the Goals of Governor Warner's "One Virginia, One Future" State economic development plan, the *Virginia Works Initiative*, and the Governor's "Education for a Lifetime" initiative. The Governor's education initiative was announced in 2003.

ARC Goal # 1

Increase job opportunities and per capita income to reach parity with the Nation.

One Virginia, One Future Goal 1: Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.
- Prioritize incentives by favoring new jobs that exceed the prevailing local average wage. Target incentives to achieve strategic goals.

One Virginia, One Future Goal 2: Provide effective workforce training programs to create and maintain a competitive 21st century workforce in Virginia.
- Provide funds for incumbent worker training, particularly in industries with high layoff risks.

One Virginia, One Future Goal 4: Support technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.
- Coordinate available state and federal resources to encourage development of broadband capacity through Virginia, including use of incentives to providers as necessary.

- Where prudent, utilize state financial resources to encourage venture capital investments in Virginia companies.

One Virginia, One Future Goal 5: Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.
- Create an enhanced capital access program available to companies in distressed areas.
- As needed, provide higher levels of discretionary incentives in distressed areas to help reduce the competitive disadvantage that may exist and to close economic development deals.

One Virginia, One Future Goal 7: Encourage the growth of Virginia's economy through support of exports by Virginia companies and other forms of international trade.
- Take advantage of untapped Export-Import Bank state partnering funds, by having the Virginia Economic Development Partnership serve as the state conduit for working capital loan programs and market these programs to its current and potential clients.

Virginia Works Goal 1: Provide Regional Partnership grants to develop effective regional economic development strategies.

Virginia Works Goal 3: Promote the sale and marketing of hand-made Virginia arts and crafts by establishing two retail centers in Western Virginia for the sale of local arts and crafts, creating an extensive support network for area artists, including promotional assistance, educational support through programs in the instruction and marketing of these crafts, and providing production support by building local artisan facilities.

Virginia Works Goal 4: Support the advanced manufacturing already present in rural Virginia by launching an Advanced Manufacturing/Packaging, investing funds to expand technology, manufacturing, and marketing in the largest agricultural sector, investing funds to create the Virginia Small Manufacturing Assistance Program, and giving small manufacturers in distressed areas the same export assistance that larger businesses enjoy through the VALET program.

Virginia Works Goal 5: Fund additional research on specialty crops at Virginia Tech and Virginia State University and facilitate the development and marketing of high-value specialty agricultural.

Virginia Works Goal 6: Create a new Virginia Community Development Bank to provide capital to new and expanding businesses in distressed areas of Virginia, including borrowers who would not otherwise be served by a commercial bank.

Virginia Works Goal 7: Take better advantage of the New Market Tax Credits, authorized by Congress in 2000 to attract new investment in distressed economic areas.

ARC Goal # 2

Strengthen the capacity of the people of Appalachia to compete in the global economy.

One Virginia, One Future Goal 2:
Provide effective workforce training programs to create and maintain a competitive 21st Century workforce in Virginia.
- Provide funds for incumbent worker training, particularly in industries with high layoff risks.
- Support and encourage vocation and technical education among parents, students, and guidance counselors, upgrading the programs' appeal and profile, and implement necessary adjustments to the Standards of Learning.

One Virginia, One Future Goal 3:
Strengthen Virginia's traditional economic sectors and existing businesses.
- For those of Virginia's traditional industries that are in a state of decline, evaluate the industries' long-term competitiveness for determining future investments. For communities heavily affected by these declining industries, begin planning now for community development, worker re-training and enhanced K-12 programs in vocational/technical education directed at new skills and growth industries.

One Virginia, One Future Goal 4:
Support Technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.
- Make Virginia the U.S. state with the highest percentage of home hook-ups to affordable broadband.

One Virginia, One Future Goal 5:
Concentrate economic development

efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.
- Implement a focused program to reduce by half, within ten years, the percentage of adults in identified distressed areas who do not have high school or equivalent diplomas.
- Encourage expansion in rural areas of telecommunications in general and affordable high-capacity broadband in particular.

Education for a Lifetime Goal 1:
Higher Quality Child Care.
- To help ensure that every child enters school ready to learn by strengthening early childhood education and child care programs in Virginia.

Education for a Lifetime Goal 5:
Increased Economic Development Through Higher Education.

- To help achieve greater economic benefits for the higher education system by providing incentives for colleges to graduate more students and to increase the amount of cutting edge research conducted at Virginia's public universities and colleges.

Education for a Lifetime Goal 6:
Improved Workforce Development.
- Improve service delivery by streamlining and enhancing workforce training programs.

Virginia Works Goal 4: Support the advanced manufacturing already present in rural Virginia by launching an Advanced Manufacturing/Packaging, investing funds to expand technology,

manufacturing, and marketing in the largest agricultural sector, investing funds to create the Virginia Small Manufacturing Assistance Program, and giving small manufacturers in distressed areas the same export assistance that larger businesses enjoy through the VALET program.

Virginia Works Goal 5: Fund additional research on specialty crops at Virginia Tech and Virginia State University and facilitate the development and marketing of high-value specialty agricultural.

ARC Goal # 3

Develop and improve Appalachia's infrastructure to make the region economically competitive.

One Virginia, One Future Goal 1: Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.

- Provide incentives for and remove obstacles to intergovernmental revenue sharing for economic development, both within and among regions.
- Seek ways to improve competitive air transportation at existing commercial airports in smaller metro areas.

One Virginia, One Future Goal 4: Support Technology businesses and other emerging and developing sectors of the economy, which are of critical importance to the Commonwealth's global competitiveness.

- Make Virginia the U.S. state with the highest percentage of home hook-ups to affordable broadband.

- Coordinate available state and federal resources to encourage development of broadband capacity throughout Virginia, including use of incentives to providers as necessary.

One Virginia, One Future Goal 5: Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase the prosperity of all Virginians.

- Support development of more sites in urban cores for redevelopment and brownfields development in order to rehabilitate and reuse sites and buildings including retail and mixed-use redevelopment.
- Encourage expansion in rural areas of telecommunications in general and affordable high-capacity broadband in particular.

One Virginia, One Future Goal 6: Strengthen the market position of all of Virginia's regions as travel destinations for national and international visitors.

- Improve facilities of, and develop alternative funding sources for, Virginia's Welcome Center, and customize highway signage for attractions.

In addition to the goals identified above, in December 2002 Governor Warner issued Executive Order 39, "The Virginia Water Supply Initiative." This Executive Order makes the sufficient supply of safe drinking water a priority for all state agencies and sets forth the following activities:

1. Establish a plan for meeting the drinking water needs within the next five years of an additional 25,000 Virginians who currently lack access

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to a reliable source of clean drinking water.

2. Conduct outreach with local communities to identify drinking water needs and to heighten awareness of existing state resources.
3. Develop innovative strategies for financing drinking water needs in the Commonwealth.
4. Develop and issue guidelines for giving drinking water a priority in the application for and award of discretionary grants by state agencies.
5. Work with local government and other stakeholders to develop and implement a plan for tailoring state drinking water financing programs to encourage regional water solutions to water supply needs.
6. Work through appropriate state agencies, with the involvement of local stakeholders, to get more appropriate projects ready for available financing.
7. Develop performance measurement standards for all water financing programs at the state level to provide meaningful measurements of the effectiveness of each program and to identify needed improvements.
8. Develop and implement a strategy for ensuring an additional 450 currently impaired streams meet water quality standards by 2010.

Virginia Works Goal 1: Provide Regional Partnership grants to develop effective regional economic development strategies.

Virginia Works Goal 3: Promote the sale and marketing of hand-made Virginia arts and crafts by establishing two retail centers in Western Virginia for the sale of local arts and crafts, creating an extensive support network for area artists, including promotional assistance, educational support through programs in the instruction and marketing of these crafts, and providing production support by building local artisan facilities.

Virginia Works Goal 4: Support the advanced manufacturing already present in rural Virginia by launching an Advanced Manufacturing/Packaging, investing funds to expand technology, manufacturing, and marketing in the largest agricultural sector, investing funds to create the Virginia Small Manufacturing Assistance Program, and giving small manufacturers in distressed areas the same export assistance that larger businesses enjoy through the VALET program.

Virginia Works Goal 5: Fund additional research on specialty crops at Virginia Tech and Virginia State University and facilitate the development and marketing of high-value specialty agricultural.

Virginia Works Goal 6: Create a new Virginia Community Development Bank to provide capital to new and expanding businesses in distressed areas of Virginia, including borrowers who would not otherwise be served by a commercial bank.

Virginia Works Goal 7: Take better advantage of the New Market Tax Credits, authorized by Congress in 2000 to attract new investment in distressed economic areas.

Virginia Works Goal 8: Encourage redevelopment of old and/or abandoned manufacturing sites, including new funds to clean up and environmentally remediate old industrial sites.

ARC Goal # 4

Build the Appalachian Development Highway System to reduce Appalachia's isolation.

One Virginia, One Future Goal 1:
Maintain and utilize Virginia's strong business climate to create new economic opportunities for all Virginians in an internationally competitive environment.
- Market the Port and inland port (intermodal transportation) more aggressively and raise its profile.

One Virginia, One Future Goal 5:
Concentrate economic development efforts on the areas of greatest need to help reduce economic disparity and increase prosperity of all Virginians.
- Make transportation improvements in rural areas, particularly seeking the completion of the Coalfield Expressway and Route 58.

Regional Initiatives

Strategies for past years' ARC regional initiatives in telecommunications, internationalization of the economy, civic development, and most recently, asset-based development, have been integrated into the state's strategies and objectives and are fundable in the State's area development program. The state will continue to monitor and provide allocated resources to projects underway within these three initiatives.

To capitalize on the contributions of entrepreneurs to the economic vitality of the region, the State ARC office launched a new small business development program through the Appalachian Entrepreneurship Initiative

in 1998. This Initiative continued through 2004.

In 2005, ARC introduced the Asset-Based Development Initiative with the goal to build a strong and sustainable asset-based economy, bringing jobs and prosperity to Appalachian communities while preserving their character. Replacing the previous Entrepreneurship Initiative, this new program seeks to develop the cultural, natural, community, structural, and local business and economic assets of the Region.

Virginia's ARC Asset-Based Development Initiative (ARC ABD)

The Commonwealth of Virginia intends to continue to use an outcome framework with the expenditure of these funds. Projects funded under this initiative will demonstrate a direct relationship with the achievement of tangible, measurable improvements to the economic health of the community. Projects may be pilots or start-ups, but must be sustainable or replicable to other communities, and must on their own merits provide a measurable, long-term outcome, as well as distinct and measurable outputs (the immediate tangible product of the ARC investment). DHCD will use performance measures of the rate and number of outputs produced, or targets, in contracts with ARC ABD grantees. Examples of outputs are the number of persons trained and certified or the number of jobs produced; an example of an outcome is the long-term impact of the quality of jobs or diversification of the local economy and the improved

overall economic health of the community.

Preference is given to proposals focused on a community's individual economic needs, growth-oriented businesses, attracting new dollars into Virginia's ARC region, creating or expanding value-added businesses that may attract other ancillary businesses, and proposals focused on creating multiple smaller-scale firms instead of a single firm.

2005 ARC ABD Proposals

A total of $154,200 was available under Virginia's 2005 ARC ABD program. Amounts of up to $50,000 for Distressed Counties and up to $40,000 for Transitional or Competitive counties were made available for projects that would support asset-based development. All selected projects support the Initiative's regional goal. That goal is to identify advantages and opportunities that already exist and leverage these strengths to create a more dynamic and self-sufficient economy. In 2005, four Asset-Based Development Initiative projects were funded at a total of $154,200. Projects selected for funding promote sustainable economic development through the continued support of Crooked Road: Virginia's Heritage Music Trail, efforts that will help diversify the local agricultural and farming economy, and creating a tourist destination point that will provide increased visibility and revenues.

Virginia's ARC Telecommunications Initiative (ARCTI)

In response to the ARC Telecommunications Initiative

*Information Age Appalachi*a Virginia initially developed its ARC Telecommunications State Strategy Initiative in FY 2003. Virginia's Strategy mirrors the Commission's Initiative and outlines the process for allocating Virginia's upcoming 2006 telecommunications allocation.

The focus of *Information Age Appalachia* is not only on access to infrastructure, but also on applications that use that access. Instead of simply promoting technology by itself, the program seeks to stimulate economic growth and improve the standard of living in the Region through technology-related avenues.

Virginia's overall program will support the Commission's four strategic goals by focusing on the following four distinct subject areas:

Focus Area One: Access and Infrastructure

Broaden the availability of advanced telecommunications services by promoting increased infrastructure investments from both private sector and government sources.

Focus Area Two: Education and Training

Ensure that the region is supporting today's workforce as well as developing the workforce of tomorrow by integrating technology into K-12 and continuing education programs plus expanding community awareness and training programs.

Focus Area Three: e-Commerce

Improve the competitiveness in businesses in the region by increasing the adoption of e-commerce practices.

Focus Area Four: Technology Sector Job Creation

Increase employment in the technology sector for producer and user industries through investment and entrepreneurship support.

Outcome-Based Implementation

Virginia's ARC Telecommunications Initiative (TI) program focuses on aspects of the overall "Information Age Appalachia" program and will be implemented on an outcome basis. Virginia, along with ARC, views its role as that of an investor. In the outcome

context, proposals must demonstrate a direct relationship between intended project efforts and measurable, tangible improvements to the health of the community being served.

2005 ARC TI Proposals

A total of $86,150 was available under Virginia's 2005 ARC TI program. ARC TI investment was targeted as follows:

	Distressed	Transitional	Competitive
Planning	$15,000	$10,000	$ 4,500
System Development and Tech. Support	$40,000	$30,000	$30,000
Implementation	$50,000	$40,000	$40,000
Total may not exceed:	$65,000	$50,000	$44,500

All selected projects address one of the three funding categories. A total of four projects were funded under the 2005 Telecommunications Initiative.

STATE OPERATING POLICIES

Outcome Funding Investment Approach

In order to comply with the incremental phasing in of the Government Performance and Results Act of 1993 (GPRA), the State ARC office is aggressively moving toward incorporating outcome funding into the administration of its federal programs. The Commonwealth of Virginia intends to use an outcome framework with the expenditure of all ARC program funds. Funded projects must demonstrate a direct relationship with the achievement of tangible improvements in the economic health of the community. Projects must be sustainable or replicable to other communities, provide measurable long-term outcomes, as well as distinct and measurable outputs.

Each project will include a description of the output and outcome measures to be derived from the project. Benchmarks for each project and the time frame for measurement will be established as part of the initial contract negotiation.

Performance milestones will be monitored and managed by the appropriate state, ARC, and basic federal administering agency staff. An initial risk analysis will be completed on each project to determine its level of difficulty and to gauge the extent of technical assistance that may be warranted.

Funding Policies And Principles

Virginia will incorporate several funding policies and principles into the implementation of its ARC Program. These policies and principles are as follows:

A. ARC funding for a construction project is limited to a maximum of $500,000.

B. ARC funding for a non-construction project is limited to a maximum of $100,000.

C. ARC participation costs for a project will be limited to 50 percent (50%) of total project costs, with the following exceptions:

   1. For community development projects that are located in ARC designated distressed counties and will provide basic services, the maximum ARC grant will be 80 percent (80%) or total project costs;

   2. For community or business development projects that are located in an ARC designated economically competitive county, the maximum ARC grant will be 30 percent (30%) of the project costs; and

3. For the State's consolidated technical assistance program and local development access road projects, the maximum ARC grant will be 50 percent (50%) of total project costs.

D. For Fiscal Year 2006, Virginia will consider one county as designated distressed county: Dickenson.

E. In addition to meeting the requirements of the Appalachian Regional Development Act (ARDA) of 1965, each project must demonstrate that it will contribute to the achievement of one or more of the Commission's goal(s) and objective(s). Except that the State may request, in accordance with Section 303 of the ARDA, approval of a project or projects without such supporting demonstration to take advantage of special development opportunities or to respond to emergency economic distress.

F. The focus of the Virginia ARC program is economic development. Projects that have a greater and direct impact on this focus will receive more favorable consideration than those projects of lesser and indirect impact. To demonstrate direct impact, documentation of job creation or retention and private sector investments must be provided along with how the project will benefit the establishment, expansion, or modernization of firms.

G. ARC assistance for equipment projects must be matched dollar-for-dollar with non-ARC equipment purchases.

H. ARC assistance for solid waste is eligible for multi-county (or city) projects for planning solid waste systems, organization of solid waste systems (including recycling / re-use), and for landfill establishment.

I. Demonstration, planning and technical assistance funds will be available to provide for such activities as more effective delivery of programs/services (multi-jurisdictional consolidations), business development research, technical assistance, community capacity building planning, developing civic entrepreneurship, and technical assistance designed especially for distressed counties.

J. Virginia will limit the use of the ARC Access Road funding to "development access roads" to be used after other state access road funds have been exhausted.

K. Preference will be given to projects that address identified regional needs and reflect cooperative efforts among local governments, nonprofits, the private sector, and/or educational institutions.

Project Development, Selection, and Evaluation

Project Development

The Virginia ARC project development process involves two separate phases: the proposal phase (conducted between October and February) and the final application phase (conducted between

February and July of the following calendar year).

The Virginia ARC project development process begins in October of the current fiscal year. After notification by the State ARC Office to local governments, educational institutions, nonprofit organizations, and the LDDs in the region, the State ARC Office and the LDDs provide technical assistance to applicants in the development of proposals. A "How-to-Apply" workshop was held on July 12, 2005 to provide project development technical assistance for FY 2006 Area Development, Telecommunications, and Asset-Based Development proposals.

During October, the State ARC Office begins the process of reviewing and evaluating each project proposal.

Project Selection

The following qualification and proposal evaluation criteria levels will be utilized in the project selection process for 2006 proposals.

Level 1:
Review at this level will concentrate on the project's:

1. Applicant and activity eligibility;
2. Demonstrated demand for the project;
3. Project description clarity;
4. Ability to meet the challenges and opportunities identified in the proposed service area; and
5. Ability to fill a "gap" in currently offered services available locally or regionally.

Level 2:

Review at this level will concentrate on the project's:

1. Possession of clearly described performance targets (product-focused outputs) to be achieved throughout the project and the overall outcomes;
2. Capacity of applicant organization to implement the project and readiness to-go of project;
3. Leveraging of non-ARC resources;
4. Creativity of approach; and
5. Establishment or significant enhancement of collaborative relationships among local and regional providers.
6. Sustainability or the ability to maintain the proposed effort into the future.

Project Evaluation

Project implementers will have the responsibility of documenting the project's achievement of the intended performance targets. Implementers should not wait until the end of the project to evaluate performance target attainment. Evaluative measures will focus on verifying whether the customers (1) experienced the desired effect in each performance target, and (2) successfully moved to the next level of performance targets. Strategically timed and direct customer verification will allow for necessary program analysis and reconfiguration in order to achieve the overall project outcome.

As the **project investor**, the Virginia ARC Office will periodically review the customer verification of performance target attainment. Evaluative measures will focus on highlighting goal

attainment and providing technical assistance in project reconfiguration.

Investment Timetable

The above described proposal evaluation and selection process for the Virginia ARC program will occur during the months of October and November. This office anticipates amending this Strategy Statement with the selected FY 2006 project recommendations by February 2007.